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Verigy US, INC.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

VERIGY US, INC, a Delaware Corporation

Plaintiff,

vs.

ROMI OMAR MAYDER, an individual,
WESLEY MAYDER, an individual, SILICON
TEST SYSTEMS, INC., a California Corporation,
and SILICON TEST SOLUTIONS, LLC, a
California Limited Liability Corporation,
inclusive,

Defendants.

Case No. C07-04330 RMW (HRL)

**PLAINTIFF'S REPLY AND
SUPPLEMENTAL BRIEF RE ORDER TO
SHOW CAUSE RE PRELIMINARY
INJUNCTION**

Date: December 14, 2007
Time: 9:00 a.m.
Place: Courtroom 6
Judge: Hon. Ronald M. Whyte

Complaint Filed: August 22, 2007
Trial Date: None Set

**PUBLIC REDACTED VERSION OF HIGHLY CONFIDENTIAL – ATTORNEYS EYES
ONLY DOCUMENT SUBMITTED UNDER SEAL**

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1 **I. INTRODUCTION**

2 Defendants do not, and indeed cannot, controvert the evidence of misappropriation, unfair
 3 competition, breach of contract, and false advertising presented by Verigy's application,
 4 particularly in the exhibits attached to the Pochowski declarations. Instead, defendants'
 5 opposition papers are riddled with self-serving statements by Mayder that are neither credible nor
 6 supported by the evidence. Mayder goes to such great lengths to attempt to show that one of
 7 Verigy's confidential documents is not, in fact, confidential (because it is only marked
 8 "confidential" on each page of in the document header) that he violated the Court's August 24,
 9 2007 Order by accessing, using, making any use of, and/or attempting to disclose or use an
 10 electronic copy of the [REDACTED]

11 As demonstrated in its moving papers and below, Verigy has met its dual burden of
 12 showing a likelihood of success on the merits of its claims and that the absence of an injunction
 13 will result in irreparable harm. Verigy is accordingly entitled to a preliminary injunction against
 14 Defendants.

15 **II. STATEMENT OF FACTS**

16 **A. Verigy's Protectable Trade Secrets.**

17 Defendants assert that Verigy has not identified anything deserving of trade secret
 18 protection. However, Defendants focus only on the specific aspects of the [REDACTED]
 19 [REDACTED] listed by Verigy's Senior Research and Development Manager, Ira Leventhal, in his
 20 original declaration and later partially addressed at his deposition. (Opp. at 15-19:16.)
 21 Defendants highlight the individual features, contending that they have been in the public domain
 22 for years. Defendants also assert that there is simply nothing new about the [REDACTED]
 23 [REDACTED]
 24 [REDACTED]
 25 [REDACTED]. Defendants mischaracterize the
 26 nature of these trade secrets, oversimplify what [REDACTED] really was, and conveniently overlook
 27 other related trade secrets they have misappropriated.
 28

1 **1. The Combination of Features Embodied in the [REDACTED]**
2 **[REDACTED] is A Trade Secret.**

3 The Leventhal Declarations explain numerous elements of [REDACTED] project that are
4 Verigy trade secrets. (Leventhal Suppl. Decl., ¶6.) [REDACTED]

5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED] It is not necessarily the individual items
10 which are themselves Verigy's trade secrets for, as pointed out by Defendants, many of these
11 individual features are in the public domain. Verigy's principal trade secret in this action is the
12 "combination of features/capabilities mentioned above [REDACTED]"

13 [REDACTED] (See Leventhal Suppl. Decl. ¶6.)

14 Defendants' opposition attempts to belittle Leventhal's deposition testimony about
15 Verigy's trade secrets by mischaracterizing that testimony as the final word on the issue.
16 However, Mr. Leventhal was not deposed as Verigy's corporate representative pursuant to Fed. R.
17 Civ. Pro. 30(b)(6), nor was the questioning exhaustive or particularly thorough. (See, e.g., Morton
18 Suppl. Decl., Ex. 4 at 116:15-17.) Defendants' counsel never asked Mr. Leventhal to describe
19 each and every trade secret Mayder misappropriated, merely for him to describe some of the
20 Verigy trade secrets present in the [REDACTED]

21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]
26 [REDACTED]
27 [REDACTED]
28 attached as Exhibit B to his declaration. (*Id.*, p. 116: 18-117:8.) Counsel for Defendants then

1 inquired as to the [REDACTED] requirements listed above, but failed to ask about the other performance
 2 requirements listed in Exhibit B. (*Id.*, p. 118:2 – 122:13.)

3 **2. [REDACTED] is a Trade Secret.**

4 As discussed in Verigy's opening brief at 11, Mayder sent an email to Pochowski on
 5 Wednesday, June 14, 2006, enclosing a document Mayder claimed was [REDACTED]
 6 [REDACTED] and an updated version of the technical data sheet Mayder previously sent to Pochowski.
 7 (Morton Suppl. Decl. Ex.5.) [REDACTED]
 8 [REDACTED]
 9 [REDACTED] (Compare Morton Suppl. Decl. Ex. 5 with Lee Decl., Ex. A; see also
 10 Morton Decl., Ex. C.) Mayder admitted in his deposition that [REDACTED]
 11 [REDACTED]” and further admitted that he “did a
 12 global search and replace from Verigy to Silicon Test Systems” to create the STS document.
 13 (Morton Suppl. Decl., Ex. 2 at 186:3-7; 215:16-19; 220:14-221:1.) This confidential document,
 14 which is a virtual copy of a document sent to [REDACTED] for the very same purpose on a virtually
 15 identical product a few weeks earlier, is unquestionably a trade secret.¹

16 **3. [REDACTED] is a Trade Secret.**

17 As discussed in Verigy's opening brief at 10, on Monday, June 12, 2006, Mayder sent an
 18 email to Pochowski containing [REDACTED]
 19 [REDACTED]
 20 [REDACTED]
 21 [REDACTED]
 22 [REDACTED]
 23 [REDACTED].) Mayder has even admitted in his deposition

24 _____
 25 ¹ The Court's August 24, 2007 Order specifically prohibited Mayder from
 26 “accessing...downloading...using...making any use of, attempting to disclose or use... Verigy's
 27 trade secrets and/or confidential or proprietary information.” Mayder admitted to doing just this at
 28 his deposition, in direct violation of the Court's August 24, 2007 Order. (*See* Morton Suppl. Decl.
 Ex. 3 at 313:19-314:25; 318:24-319:11.)

1 that the Picasso document was based on a document he drafted for Verigy and that he made these
2 modifications on his home computer. (Morton Suppl. Decl., Ex. 2 at 211:6-213:5.)

3 **4. [REDACTED] a Trade Secret.**

5 As discussed in Verigy's opening brief at 12, Mayder sent Mr. Pochowski an Excel

6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED] Indeed, Mayder's own

20 declarant, Dick Weber of Intel, states that Intel's memory testing requirements are shared with
21 Verigy and STS "exclusively under Non-disclosure agreements." (Weber Decl., ¶ 6.)

22 **5. [REDACTED] Are Trade Secrets.**

23 As discussed in Verigy's opening brief at 12, Mayder sent Mr. Pochowski a [REDACTED]
24 [REDACTED]
25 [REDACTED] (Morton Suppl. Decl., Ex. 7.) Mayder admitted that he did not
26 ask anyone at Verigy if he could use [REDACTED] for his STS business. (*Id.* at Ex. 2 at
27 223:14-18; 225:23-226:8.) Mayder's powerpoint [REDACTED]
28 [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]

12 6. The [REDACTED] is a Trade Secret.

13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]
26 [REDACTED]

27 **B. Defendants Used Verigy's Trade Secrets to Jump-Start Their Business.**

28 [REDACTED]

1 Decl. ¶19.) [REDACTED]

2 [REDACTED]
 3 [REDACTED]
 4 [REDACTED]
 5 [REDACTED]
 6 [REDACTED]
 7 [REDACTED]
 8 [REDACTED]
 9 [REDACTED]
 10 [REDACTED]

11 **1. Mayder Misappropriated** [REDACTED]

12 Mayder chose to use [REDACTED]

13 [REDACTED]
 14 [REDACTED]
 15 [REDACTED]
 16 [REDACTED]
 17 [REDACTED]
 18 [REDACTED]
 19 [REDACTED] thus
 20 avoiding many months of research and development.

21 **2. Mayder Misappropriated Verigy Documents Because it was Simple.**

22 Having invested many months in [REDACTED], Mayder saw an
 23 opportunity to capitalize on the work he had already done, leverage the contacts he had made, and
 24 develop a substantially identical product upon which he could base his own business. Mayder
 25 admits to using key documents which contain or describe Verigy trade secrets to jump-start his
 26 business.

27 [REDACTED]
 28 [REDACTED] ?

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[REDACTED]

(Morton Suppl. Decl., Ex. 2 at 185:7-15.)

3. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

a. [REDACTED]

[REDACTED]

[REDACTED]

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26 **III. ARGUMENT**

27 **A. Verigy Has Protectable Trade Secrets**

28 Verigy demonstrated in its opening brief and above that the [REDACTED] Project and the

documentation for the project are Verigy trade secrets. (*See* Mot. at 15-17; *supra* at 1-5.) The [REDACTED] pricing information and supplier negotiations and proposal are all things that Verigy takes “reasonable efforts to keep secret.” (*Id.*) Further, these types of information are axiomatically considered by courts to be trade secret. (*See* Mot. at 16.) Verigy derives economic value from keeping this information secret, as public knowledge would damage Verigy’s customer relationships.

(Leventhal Decl., ¶ 24.) Indeed, [REDACTED]

[REDACTED] (*Id.*)

1. Verigy Took Reasonable Efforts to Protect Its Trade Secrets

A company need only take reasonable efforts to maintain the secrecy of its trade secrets. Cal. Civ. Code § 3426.1(d)(2). Reasonable efforts to maintain the secrecy of trade secrets include, among others: advising employees of the existence of a trade secret, limiting access to the secret information, and requiring employees to sign confidentiality agreements. *See, e.g., Whyte v. Schlage Lock Co.*, 101 Cal. App. 4th 1443, 1454 (2002) (confidentiality agreements); *Courtesy Temporary Serv., Inc. v. Camacho*, 222 Cal. App. 3d 1278, 1288 (1990) (informing employees about trade secrets through employee agreements and handbooks and limiting access); *MAI Sys. Corp. v. Peak Computer*, 991 F.2d 511, 521 (9th Cir. 1993) (confidentiality agreements). “Efforts at maintaining secrecy need not be extreme, just reasonable under the circumstances.” *Religious Tech. Ctr. v. Netcom On-Line Commc’n Servs., Inc.*, 923 F. Supp. 1231, 1253 (N.D. Cal. 1995). Verigy took extensive precautions to prevent former employees such as Mayder from usurping Verigy’s hard work, including requiring employees to sign confidentiality agreements, informing new and exiting employees about the trade secret status of Verigy’s information, and restricting access to Verigy buildings and documents. (*See* Mot. at 5-7; Leventhal Decl., ¶¶ 7, 23; Leventhal Suppl. Decl., ¶¶ 4-5.)

Defendants attempt to invent a new standard in which all company documents are presumed public unless the document is specifically marked confidential. This is not the standard at Verigy, and it is not the industry standard. (Pochowski Suppl. Decl., ¶¶ 5-7; Leventhal Suppl. Decl., ¶¶ 4-5.) Especially in Silicon Valley, it is widely known that research and development

1 efforts and plans are only valuable if they are not widely-known.

2 It is Verigy's policy, as stated in the opening brief, to mark documents confidential before
3 sending them to third parties. (Mot. at 7.) [REDACTED]

4 [REDACTED]
5 [REDACTED] (Leventhal Suppl. Decl., ¶4; Lai Suppl. Decl., ¶¶2-6.) [REDACTED]

6 [REDACTED]
7 [REDACTED] r. (Leventhal Suppl. Decl., ¶ 4.) All of the documents that Defendants claim are
8 not confidential due to a lack of marking [REDACTED]

9 [REDACTED]."
10 Further, there is nothing in the UTSA requiring documents to be marked "confidential."

11 Defendants also make the absurd claim that if a document is marked "confidential" only in
12 the header or footer, but not in the body of the document, the document is presumed to be public.
13 (Morton Suppl. Decl., Ex. 2 at 219:15-222:16; Ex. 3 at 311:16-312:22 and Mayder Decl. ¶30.)
14 Defendants make this claim to avoid liability for use of Verigy's "[REDACTED]" which is
15 marked "Confidential" in the header of each page. (Lee Decl., Ex. A.) Mayder claims that
16 documents should be marked in the body of the text, which would require the author to manually
17 type "confidential" on each page. (Morton Suppl. Decl., Ex. 3 at 311:16-312:22.) Such a
18 requirement would be an overly stringent standard. It is Verigy's standard practice to place such
19 markings in headers or footers. (Leventhal Suppl. Decl., ¶ 4.) Further, with respect to the specific
20 document in question, it is obvious that this document was treated by [REDACTED]

21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 (Morton Suppl. Decl., Ex. 21 at 4421.) Mayder received [REDACTED]

25 [REDACTED] less than a month before he co-opted Verigy's [REDACTED] his own use, so he
26 cannot now claim that he was not on notice that the [REDACTED] confidential. (*Id.* at 4414.)

27 Finally, Defendants claim that "Verigy explicitly disclosed to the public much of the
28 information that it now claims as trade secrets." (Opp'n at 14.) Defendants ignore that Verigy did

1 not disclose [REDACTED] and the project's cancellation "publicly." Verigy disclosed this
 2 information to [REDACTED] whom it had a signed non-disclosure agreement. (Lee
 3 Decl., ¶ 6.) This disclosure is far from "public." *Metallurgical Indust. Inc. v. Fourtek, Inc.* 790
 4 F.2d 1195, 1200 (5th Cir. 1986) (recognizing that disclosures of trade secrets that are made to
 5 further owner's economic interest can be a limited disclosure that does not destroy secrecy.).
 6 Defendants have not offered any evidence that either [REDACTED]
 7 information to anyone else.²

8 **2. Even if Every Element of the [REDACTED] in the Public Domain,**
 9 **the Combination of the Key Elements Constitutes a Trade Secret**

10 Defendants argue at length that because individual elements [REDACTED]
 11 [REDACTED] does not have trade secret status. (Opp'n at 15.)
 12 Defendants are wrong. California law is clear that "[A] trade secret can exist in a combination of
 13 characteristics and components, each of which, by itself, is in the public domain, but the unified
 14 process, design and operation of which, in unique combination, affords a competitive advantage. .
 15 . ." *Vermont Microsystems, Inc. v. Autodesk, Inc.*, 88 F.3d 142, 147 (2nd Cir. 1994) (applying
 16 California law to find component elements of a display list driver for AutoCAD software was a
 17 trade secret); citing *Integrated Cash Management Servs., Inc. v. Digital Transactions, Inc.*, 920
 18 F.2d 171, 174 (2nd Cir. 1990), *Imperial Chemical Industries Ltd. v. National Distillers &*
 19 *Chemical Corp.*, 342 F.2d 737, 742 (2nd Cir. 1965), and *Cybertek Computer Products, Inc. v.*
 20 *Whitfield*, 203 U.S.P.Q. 1020, 1024 (Cal. Super. Ct. 1977) (" . . . general approach and the basic
 21 mechanical elements were not trade secrets, [but] . . . the specific embodiment of the general
 22 concepts and approach into a combination of parts was protectible, even though all or some of
 23 them might well be known to the industry.")

24 _____
 25 ² Defendants also claim that Leventhal did not know the confidentiality policy or how to apply it.
 26 (Opp'n at 13-14.) However, this assertion is not supported by the record. Mr. Leventhal testified
 27 at his deposition that he did not remember the "specific guidance," but that he "adopted a personal
 28 policy to ensure that [he adheres] to the company policy." (Morton Suppl. Decl., Ex. 4 at 53:14-
 54:9.) Mr. Leventhal did not testify that he didn't know the policy—he testified that he couldn't
 "state the policy verbatim." (*Id.* at (Leventhal depo 49:6-23).)

Verigy's trade secrets are not the specific individual features of [REDACTED] they are the combination of technical features embodied in the [REDACTED] specification which was designed to meet Verigy's specific confidential marketing specification. It is the combination of these elements that constitutes a trade secret under the authorities cited above.

3. [REDACTED] is Substantially Derived from Verigy's Trade Secrets

Where an idea is substantially derived from another party's trade secret, use of that idea constitutes misappropriation. *Mangren Research and Dev. Corp. v. National Chem. Co., Inc.*, 39 U.S.P.Q.2d 1339, 1345-46 (7th Cir. 1996). The *Mangren* court determined that defendant could not have produced its mold release agent without using the chemical formula derived from plaintiff's trade secret. (*Id.*) As a result, the defendant was found to have misappropriated plaintiff's secret formula, even though defendant's product was not "identical." (*Id.*) A finding of misappropriation does not require that the defendant "copied or used every element of the trade secret." (*Id.* at 1345.) Misappropriation of trade secrets occurs even when a defendant creates a new product, but would have been unable to do so without the plaintiff's trade secret.

This "doctrine of equivalents" for trade secrets has been recognized and applied in numerous misappropriation cases. For example, in *Vermont*, 88 F.3d at 147, where plaintiff established that defendant's product was substantially derived from the architecture of the plaintiff's product, the court held that the plaintiff did not have to prove that the products were identical. Substantial derivation was all that was necessary to establish trade secret misappropriation. *See also, Cybertek*, 203 U.S.P.Q. at 1023-1025 (substantial appropriation is actionable); *Forest Lab., Inc. v. Pillsbury Co.*, 452 F.2d 621, 624-25 (7th Cir. 1971); *Matter of Innovative Constr. Sys., Inc.*, 793 F.2d 875, 886 (7th Cir. 1986) ("Were the law of trade secrets not flexible enough to reach the modifications in the instant case, when it is evident that the formulas were substantially derived from Innovative's, (the law) would indeed be hollow.").

Therefore, Defendants' claims that the [REDACTED]

[REDACTED] (Wei Decl., ¶¶ 59-60;

1 *see also* Leventhal Decl. ¶ 2.) Further, almost all of the Flash Enhancer ASIC features were
 2 developed while Mayder was still employed at Verigy, and therefore belong to Verigy. The

3 [REDACTED]
 4 Defendants' misappropriating the bulk of the ASIC.

5 **4. Defendants Misstate the Trade Secret Standard**

6 Defendants mistakenly claim that trade secret status is negated if the information is
 7 "readily ascertainable." (Opp'n at 15.) However, California did not adopt that portion of the
 8 UTSA which precluded a finding of misappropriation if a proper means of obtaining the
 9 information was available. Rather, California takes the view that if improper means are used to
 10 acquire a trade secret, it does not matter that a proper means may have been available. (Cal. Civ.
 11 Code § 3426; *Imi-Tech Corp. v. Gagliani*, 691 F. Supp. 214, 231 (S.D. Cal. 1986) ("it is not a
 12 requirement of California law that a trade secret 'not be readily ascertainable by proper means by
 13 others,' and California law emphasizes punishing the wrongful acquisition of information, even if
 14 it could have been obtained legally."), citing *Chicago Lock Co. v. Fanberg*, 676 F.2d 400, 404 (9th
 15 Cir. 1982); *Abba Rubber Co. v. Seaquist*, 235 Cal. App.3d 1, 21 (1991) ("whether a fact is 'readily
 16 ascertainable' is not part of the definition of a trade secret in California.") Further, it is not even
 17 required that a trade secret be "patentably nonobvious or novel." *Imi-Tech Corp.*, 691 F. Supp. at
 18 231. "All that is required is that, except by use of improper means, there would be difficulty in
 19 acquiring the information." *Id.*

20 **B. Verigy Has Made a *Prima Facie* Case of Misappropriation; Defendants Have** 21 **Not Met Their Burden**

22 It is undisputed that Mayder has misappropriated and used a number of key Verigy
 23 documents. (*See* Sections II.A, B, *supra*.) Defendants attempt to avoid liability by claiming that
 24 Verigy misstates the law. Defendants claim that Verigy asserts trade secret status in issued
 25 patents, but no such claims have been made.³ (Opp'n at 12-13.) In fact, Verigy's 2019.210 trade
 26 secret statement *specifically* states that it only includes information in patent applications or
 27
 28

1 patents either prior to publication or that was not included in the published application or patent.
 2 (Morton Suppl. Decl., Ex.28.) Verigy has shown at least a likelihood of success that [REDACTED]
 3 [REDACTED] are trade secrets and that Mayder used and/or disclosed these secrets.

4 Where a plaintiff has proved defendants' access to trade secrets and the subsequent design
 5 of a substantially similar product, the burden shifts to the defendants to prove independent design.
 6 *Droeger v. Welsh Sporting Goods Corp.*, 541 F.2d 790, 793 (C.A. Cal. 1976) ("As a number of
 7 cases have pointed out, disclosure of the secret to the defendant, followed by manufacture of a
 8 closely similar device by the defendant, shifts to the defendant the burden of going forward with
 9 evidence to prove, if it can, that it arrived at the process by independent invention"); *Imi-Tech*
 10 *Corp.*, 691 F.Supp. at 230 (finding defendant had not met burden for preliminary injunction).

11 Here, Defendants have offered no proof of independent derivation. In fact, Mayder has
 12 admitted he used a number of the Verigy trade secret documents. (See Sections II.A, B, *supra*.)
 13 Defendants deny using Verigy's customer list, but offer no proof other than Mayder's own self-
 14 serving testimony and a citation to the Weber Declaration stating that Intel has discussed its
 15 memory testing requirements with STS. (Opp. at 11; Weber Decl. at 6.) These citations are
 16 insufficient to carry Defendants' burden. Defendants cannot dispute their use of plaintiff's trade
 17 secrets through self-serving denials. *Bolt Associates, Inc. v. Alpine Geophysical Associates, Inc.*,
 18 365 F.2d 742, 749-750 (3d Cir. 1966) ("the [defendants'] burden cannot rest on mere self-serving
 19 assertions, but rather, a heavy burden ... to show that the production was the result of independent
 20 development"); *Droeger*, 541 F.2d at 793 ("the defendant ... ought to offer more than the verbal
 21 testimony of interested witnesses."). Weber's Declaration also fails to meet this burden, as it
 22 offers nothing to suggest that Defendants independently derived the confidential customer
 23 information before Mayder's first meetings with Intel in November 2006. (Mayder Decl., ¶ 42.)
 24 Defendants worked extensively on presentations to customers between July-November 2006
 25 (Pochowski Decl., Ex. E; Pochowski Suppl. Decl., Ex. 6), and no evidence of independent
 26 derivation has been offered with respect to those presentations.

27
 28 ³ Defendants claim that Mr. Leventhal made this claim, but he explicitly stated in his deposition

1 **C. Verigy Is Likely to Prevail on its Unfair Competition Claim.**

2 To the extent Defendants misappropriated Verigy's trade secrets, Defendants also violated
3 California Business and Professions Code § 17200. However, even if the Court finds that
4 Verigy's confidential information does not meet the statutory definition of a trade secret,
5 Defendants' unfair and deceptive trade practices in using Verigy's confidential information should
6 still be enjoined. *Courtesy*, 222 Cal. App.3d at 1291; *Readylink Healthcare v. Cotton*, 126
7 Cal.App.4th 1006, 1020-21 (2005) (discussing *Courtesy*).

8 **D. Mayder Breached His Contract With Verigy**

9 To the extent that Mayder misappropriated Verigy's trade secrets, he also breached his
10 contract with Verigy. However, Verigy sought an injunction for breach of contract due to use of
11 *both* trade secrets and Confidential Information. (See Mot. at 18.) Defendants failed to address
12 this in their Opposition, choosing to assume, despite notice, that Verigy's breach of contract claim
13 rested on misappropriation of trade secrets. (Opp'n at 12.) If the Court finds that the information
14 Mayder misappropriated does not rise to the level of a trade secret, Verigy is still entitled to an
15 injunction against Mayder's breach of contract due to his misappropriation of Verigy's
16 "Confidential Information."

17 California courts have recognized that a breach of contract action is viable where disclosed
18 information does not qualify as a "trade secret" under the UTSA provided that the information is
19 protected by a confidentiality agreement. *HiRel Connectors, Inc. v. U.S.*, CV01-11069, 2006 WL
20 3618008, at *1 (C.D. Cal., July 18, 2006) ("Plaintiff's claim for breach of contract survives even if
21 it is based solely on disclosure of the information....[that] the Court has already determined are
22 not protectable as trade secrets."); *Ajaxo v. E*TRADE Group, Inc.*, 135 Cal. App. 4th 21, 62 n. 38
23 (2005) ("A breach of contract cause of action may be available where disclosed information does
24 not qualify as a 'trade secret' under the UTSA...if the information is protected under a
25 confidentiality or nondisclosure agreement."); *see also Hauck M'fg. Co. v. Astec Indus., Inc.*, 376
26 F. Supp. 2d 808, 814-15 (E.D.Tenn. 2005) (Defendant can breach confidentiality agreement by

27
28 that "I'm not an expert on the legal definition of trade secrets."

1 appropriating confidential information that is not a trade secret); *Bernier v. Merrill Air Engineers*,
 2 770 A.2d 97, 103 (Me. 2001) (“The confidential knowledge or information protected by a
 3 restrictive covenant need not be limited to information that is protected as a trade secret by the
 4 UTSA”).

5 Here, the term “Confidential Information” is defined in the ARCIPD. (Guerzoni Decl., Ex.
 6 B.) Thus, if Defendants used or disclosed information that fits within this definition, Defendants
 7 breached the ARCIPD. “Confidential Information,” as defined in the ARCIPD, includes, without
 8 limitation, “information on Verigy organizations and structure;” “strategic plans;” “assignments;
 9 information on research and development, manufacturing and marketing; as well as information
 10 which Verigy receives from third parties under an obligation of confidentiality.” (*Id.*) Mayder
 11 agreed to use “Confidential Information only in the performance of Verigy duties.” (*Id.*)
 12 However, Mayder has admitted to using several documents to jumpstart his STS business, which,
 13 by definition, could not have been used for Verigy duties [REDACTED]

14 [REDACTED]
 15 [REDACTED]
 16 [REDACTED]
 17 [REDACTED]
 18 [REDACTED]
 19 [REDACTED]
 20 [REDACTED]
 21 [REDACTED] (Pochowski Suppl. Decl.,
 22 Ex. 1; Lai Suppl. Decl. ¶¶ 5,6.) Mr. Mayder used specific documents that were developed for a
 23 specific Verigy project to jumpstart his own business, thus breaching his contract with Verigy.⁴

24 Although California Labor Code § 2870 (“Section 2870”) places some limitations on the
 25 types of inventions that an employee can be required to assign to an employer, these limitations do
 26 _____

27 ⁴ To the extent that Verigy’s research regarding other manufacturers, processes and materials,
 28 discussed in Section II, A, B is not found to be a trade secret, Mayder’s use of this valuable
 intelligence is certainly, at a minimum, a breach of his contract.

1 not apply here. Any inventions that “(1) Relate at the time of conception or reduction to practice
 2 of the invention to the employer's business, or actual or demonstrably anticipated research or
 3 development of the employer; or (2) Result from any work performed by the employee for the
 4 employer” are assignable to an employer pursuant to an employment agreement. Cal. Labor Code
 5 § 2870 (a). The ARCIPD quotes the relevant language from Section 2870. (Guerzoni Decl., Ex.
 6 B.) The courts have interpreted the first prong broadly. *See, e.g., Cubic Corp. v. Marty*, 185 Cal.
 7 App. 2d 438, 496-447, 452-453 (1986) (invention agreement applied to invention even though it
 8 covered a product that was neither sold nor developed by employer at time of invention); *Iconix,*
 9 *Inc. v. Tokuda*, 457 F.Supp.2d 969, 990-92 (N.D. Cal. 2006). Further, Mayder bears the burden of
 10 showing that his inventions do not come within the scope of Section 2870. Defendants have failed
 11 to meet this burden, and indeed, other than oblique references to what they claim Verigy’s
 12 “business” comprises, Defendants do not even address Section 2870.

13 Defendants argue that Verigy is not engaged in the probe card business. This argument is
 14 misplaced, as Verigy need not show that it was in the business of designing and developing the
 15 precise subject matter of Mayder’s inventions.⁵ *See Cubic Corp.*, 185 Cal. App.3d at 445
 16 (employer not required to show that it was developing, marketing and selling the type of product
 17 embodied in invention). The key fact is that Verigy engaged in months of “research or
 18 development” for [REDACTED]. (Mayder Decl., ¶¶ 13-17; Wei Decl. App. II.) Mayder
 19 attempted to characterize his work on [REDACTED] as something other than research and
 20 development, but this distinction is simply not credible—he wrote an invention disclosure for the
 21 MEMS embodiment of this project and drafted a technical specification sheet, researched potential
 22 manufacturers and participated in drafting a [REDACTED].
 23 (Morton Supp. Decl. Ex. 3 at 307:9-309:25.)

24 _____
 25 ⁵ Defendants claim in their brief that Verigy does not compete with STS, and use the Leventhal
 26 Deposition as support. This citation is misleading, as Mr. Leventhal actually testified who “some”
 27 of Verigy’s competitors were, and Defendants’ counsel never followed up to determine if STS or
 28 any other companies involved with probe cards are competitors. (Morton Suppl. Decl., Ex. 4 at
 31:7-16.)

Even if the Court were to assume that Verigy's activities did not constitute "research and development," Mayder cannot defeat the second prong of Section 2870: that his product "results from *any* work performed by the employee for the employer." Cal. Lab. Code § 2870 (a) (emphasis added). [REDACTED]

[REDACTED]

[REDACTED] (Morton Decl., Ex. 15.) Mayder's admission points to the only logical conclusion: that Mayder breached his contract with Verigy and should be enjoined from continuing to do so.

E. Defendants' Conduct Is Ongoing

Despite Defendants' claim to the contrary, their conduct is ongoing. As discussed above, [REDACTED] and Defendants are continuing to develop, market, advertise and negotiate with customers regarding this product. (Morton Suppl. Decl., Ex. 3, 346:14-347:14.) [REDACTED]

[REDACTED] (*Id.*) Defendants are also actively seeking investors for this misappropriated product (*Id.* at Ex. 3, 360:11-363:4), and continue to make claims on the STS website. In short, Defendants' misappropriation, unfair competition, false advertising, false designation and breach of contract have continued, unabated, since the entry of the Temporary Restraining Order on August 24, 2007, and a preliminary injunction is necessary to restrain this ongoing and harmful conduct.

F. Verigy Will Suffer Irreparable Harm If Defendants' Activities Are Not Enjoined.

Defendants argue that Verigy has not demonstrated it will suffer irreparable injury because it has not demonstrated that its trade secrets were developed at substantial effort and expense or that they have economic value. (Opp'n at 20.) In doing so, defendants are essentially arguing that Verigy has not established that its trade secrets meet the definition of the UTSA, not that Verigy has failed to establish irreparable harm. In fact, in Section III.A of its Opening Brief as well as in Sections III.A, B above, Verigy has established beyond the shadow of a doubt that its trade secrets qualify for protection under the UTSA.

Moreover, defendants' argument ignores that this Court has already ruled in the August 24, 2007 Order that "plaintiff is likely to suffer irreparable harm including harm to its competitive position, loss of future sales, disclosure of confidential business information, and loss of goodwill in the marketplace." (August 24 Order at 5: 4-7.) This Court's Order is consistent with the legion of cases holding that losses that are difficult to quantify, such as "customer losses, [loss] of future sales, damages to long-term relationships with its customers, loss of referrals and loss of goodwill in the marketplace" constitute irreparable harm. *Corporate Express Office Products, Inc. v. Martinez*, No. CV-SA02-87 AHS (ANX), 2002 WL 31961458, at *5-6 (C.D. Cal. March 8, 2002); *Imi-Tech Corp.* 691 F. Supp. at 231 (harm to a plaintiff's competitive position lacks an adequate remedy at law); *Computer Assocs. Int'l, Inc. v. Bryan*, 784 F. Supp. 982, 1009 (E.D.N.Y. 1992) (injunction against marketing of competing, copied program granted because loss of trade secrets is not measurable in money damages"). That Verigy has suffered such loss is established by Ira Leventhal, who stated in his initial declaration that Defendants' use of Verigy's trade secret and confidential information "would cause damage to Verigy, "would damage our customer relationships," and "could cause our customers to demand that Verigy develop these products and suffer lost revenue and profits." (Leventhal Decl., ¶ 24.) Mr. Leventhal identified one such customer who had already complained that Verigy was not implementing Defendants' solution. (*Id.*) As demonstrated by the Leventhal Declaration, if defendants' conduct is not enjoined, Verigy is likely to continue to lose contracts and customer goodwill which, as this Court has already found, establishes irreparable harm.

G. Bond Issue

Defendants ask this Court to "require Verigy to post an appropriate bond." (Opp'n at 21.) Defendants ignore that Verigy has already posted a \$100,000.00 bond, and defendants offer no arguments or evidence as to why this bond is insufficient. Verigy submits that it is.

IV. CONCLUSION

For the foregoing reasons, Verigy respectfully requests that the Court grant Verigy's application for a preliminary injunction.

1 Dated: November 16, 2007

BERGESON, LLP

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3 By: _____
4 Melinda M. Morton
5 Attorneys for Plaintiff
6 Verigy US, INC.
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